

SEC  
Mail Processing  
Section  
DEC 02 2008  
Washington, DC  
105

SECU



08032409

SSION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 34448

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/01/2007 AND ENDING 09/30/2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: <u>Financial West <del>Group</del> Investment Group Inc</u>	OFFICIAL USE ONLY	
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)	FIRM I.D. NO.	
FINANCIAL WEST GROUP	4510 E THOUSAND OAKS BLVD.	
(No. and Street)		
WESTLAKE VILLAGE	CA	91362
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

LEDERMAN, ZEIDLER, GRAY & CO			
(Name - if individual, state last, first, middle name)			
9107 WILSHIRE BLVD #260	BEVERLY HILLS	CA	90210
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**  
**DEC 17 2008**  
**THOMSON REUTERS**

**FOR OFFICIAL USE ONLY**

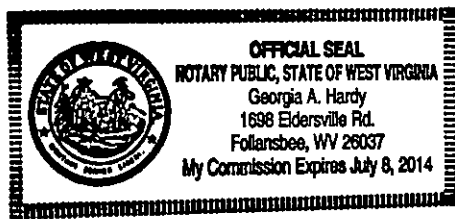
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, GENE C VALENTINE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FINANCIAL WEST INVESTMENT GROUP INC, as of SEPTEMBER 30, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_



Notary Public

Signature

CEO

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**FINANCIAL WEST INVESTMENT  
GROUP, INC.**

---

Financial Statements and Supplementary  
Information with  
Independent Auditors' Report

September 30, 2008

---

## CONTENTS

---

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Supplementary Information	
Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	10
Schedule II - Reserve and Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	11
Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5	12-13

---

LEDERMAN, ZEIDLER, GRAY & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS  
9107 WILSHIRE BOULEVARD, SUITE 260  
BEVERLY HILLS, CALIFORNIA 90210

MEMBER  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS  
CALIFORNIA SOCIETY  
OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE  
(310) 273-2924  
FAX  
(310) 276-0225

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
FINANCIAL WEST INVESTMENT GROUP, INC.  
Thousand Oaks, California

We have audited the accompanying statement of financial condition of Financial West Investment Group, Inc., as of September 30, 2008 and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Financial West Investment Group, Inc., as of September 30, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in detail in Note 6 to the financial statements, the Company is a defendant in a group of lawsuits involving potential investor losses. A number of the claims included in the group of lawsuits mentioned above have been settled. The Company has been released from any obligation in these settlements. The ultimate outcome of the remaining actions against the Company cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Lederman, Zeidler, Gray & Co., LLP***  
***Certified Public Accountants***

Beverly Hills, California  
November 25, 2008

**FINANCIAL WEST INVESTMENT GROUP, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2008**

**ASSETS**

Cash	\$ 917,125
Commissions receivable	487,245
Marketable securities, owned	235,119
Prepaid expenses	43,100
Note receivable from related party	181,520
Other receivables	39,805
Deposits	<u>10,000</u>
Total assets	<u>\$ 1,913,914</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Accounts payable	\$ 24,663
Commissions payable	836,232
Accrued expenses	199,700
Payable to brokerage account	138,926
Income taxes payable	<u>12,858</u>
Total liabilities	<u>1,212,379</u>
Stockholder's Equity	
Common stock, no par value	
Authorized - 10,000 shares	
Issued and outstanding - 2,500 shares	125,000
Paid-in capital	398,278
Retained earnings	<u>178,257</u>
Total stockholder's equity	<u>701,535</u>
Total liabilities and stockholder's equity	<u>\$ 1,913,914</u>

*The accompanying notes are an integral part of these financial statements*

FINANCIAL WEST INVESTMENT GROUP, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Revenue

Commissions	\$ 30,717,100
Interest and dividends	824,084
Other	<u>3,171,374</u>
	<u>34,712,558</u>

Expenses

Accounting	59,172
Commissions, representative's fees & clearing charges	28,585,596
Communications	74,905
Computer & information technology	84,125
Dues and licensing costs	297,557
Employee compensation and benefits	4,625,373
Equipment rental	75,103
Errors expense	60,056
Insurance	23,441
Interest expense	4,198
Legal	49,924
Management fees	4,295
Occupancy	306,797
Office supplies & expense	94,975
Postage & shipping	28,264
Quote systems expense	103,934
Other operating expenses	<u>330,631</u>
	<u>34,808,346</u>

Income (loss) before other income (expense) ( 95,788)

Other Income (expense)

Lawsuit recovery	<u>113,785</u>
------------------	----------------

Income before provision for income taxes 17,997

Current tax expense	<u>12,858</u>
---------------------	---------------

Net income \$ 5,139

*The accompanying notes are an integral part of these financial statements*

**FINANCIAL WEST INVESTMENT GROUP, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, October 1, 2007	\$ 125,000	\$ 398,278	\$ 173,118	\$ 696,396
Net income	<u>-</u>	<u>-</u>	<u>5,139</u>	<u>5,139</u>
Balance, September 30, 2008	\$ <u>125,000</u>	\$ <u>398,278</u>	\$ <u>178,257</u>	\$ <u>701,535</u>

*The accompanying notes are an integral part of these financial statements*



FINANCIAL WEST INVESTMENT GROUP, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Operating activities:

Net income	\$ 5,139
(Increase) decrease in assets:	
Commissions receivable	393,020
Marketable securities	( 162,328)
Prepaid expenses	( 6,346)
Other receivables	( 7,901)
Note receivable from related party	26,062
Deposits	-
Increase (decrease) in liabilities:	
Accounts payable	( 96,916)
Commissions payable	( 493,347)
Accrued expenses	( 185,348)
Income taxes payable	( 178)
Net cash used by operating activities	<u>( 528,143)</u>

Financing activities:

Increase in payable to brokerage account	<u>100,522</u>
Net cash provided by financing activities	<u>100,522</u>

Decrease in cash	( 427,621)
Cash, beginning of year	<u>1,344,746</u>
Cash, end of year	\$ <u><u>917,125</u></u>
Cash paid during the year:	
Interest paid	\$ <u>4,198</u>
Income taxes paid	\$ <u>17,230</u>

*The accompanying notes are an integral part of these financial statements*

FINANCIAL WEST INVESTMENT GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

1. Summary of significant accounting policies

Nature of business - The Company is a non-clearing fully disclosed broker-dealer engaged in the sale of general securities to investors. The Company does not hold securities for customers. All funds belonging to customers are held in cash accounts earmarked for holding customer funds. The Company is a 100%-owned subsidiary of Paradox Holdings, Inc.

Cash - For purposes of reporting cash flows, cash and cash equivalents include cash in banks and cash held at the Company's clearinghouses.

Marketable securities - Management determines the appropriate classification of securities at the date individual investment securities are acquired. Trading securities are reported at fair values with unrealized gains and losses included in operations. The Company's marketable securities consist of bonds, stocks, stock mutual fund investments and are classified as trading securities.

Estimates and assumptions - In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The estimates include fair value of financial instruments.

Fair value of financial instruments - The carrying value is a reasonable estimation of the fair value for cash, marketable securities and other investments, and receivables and payables.

2. Related party transactions

The Company maintains a broker/dealer professional liability insurance policy through an insurance company that is 100% owned by Paradox Holdings, Inc. (parent company of Financial West Investment Group, Inc.).

Paradox Holdings, Inc., the 100% shareholder of the Company, received management fees from the Company in the amount of \$4,295 during the current year.

The Company leases its office space under operating leases from the principal stockholder of Paradox Holdings, Inc. Rental payments for the current year were \$247,200.

**FINANCIAL WEST INVESTMENT GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

2. Related party transactions (continued)

The following is a schedule of future minimum rental payments due to the principal stockholder of Paradox Holdings, Inc., exclusive of property taxes, insurance, and increases under the lease based on increases in the consumer price index:

October 1, 2008 - September 30, 2009	\$ 240,000
October 1, 2009 - September 30, 2010	240,000
October 1, 2010 - September 30, 2011	240,000
October 1, 2011 - September 30, 2012	240,000
October 1, 2012 - September 30, 2013	240,000
Thereafter	<u>1,680,000</u>
	<u>\$ 2,880,000</u>

3. Commitments

The Company is obligated under the terms of certain non-cancelable operating leases for autos and office equipment. Expense for the period ended September 30, 2008 was \$75,103. The following is a schedule of future minimum rental payments:

<u>Year ending</u>	
September 30, 2009	\$ 59,157
September 30, 2010	30,981
September 30, 2011	13,626
September 30, 2012	<u>5,648</u>
	<u>\$ 109,412</u>

4. Note receivable from related party

Note receivable from officer, due on demand with interest at 7%	\$ <u>181,520</u>
---	-------------------

**FINANCIAL WEST INVESTMENT GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

5. Net capital requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At September 30, 2008, the Company had net capital of \$412,006, which was \$312,006 in excess of its required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital, as defined, was 2.94 to 1.

6. Litigation

The Company is the subject of a number of lawsuits involving a group of affiliated investments sold by a registered representative of the Company. The Company that sponsored these investments is currently in bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. The claimants allege the investments were unsuitable and that they were sold by means of misrepresentations or omissions made by the Company's registered representative and that the Company is liable for misconduct by the registered representative. Claims asserted against the Company and other defendants are substantially in excess of the Company's insurance coverage. The Company's legal counsel has indicated that the Company has meaningful legal and factual defenses to the claims. A number of these cases have been settled. The Company has been released from any obligations in these settlements.

The ultimate outcome of the remaining lawsuits cannot presently be determined. Therefore, no provision for any liability that may result from these actions has been made in the financial statements.

The Company has not accrued any expense for pending legal disputes in addition to the above mentioned lawsuits because the outcome cannot be determined at this time. The Company maintains broker/dealer professional liability insurance to cover actions brought by customers against the Company. This policy is provided by a 100% owned subsidiary of the parent of Financial West Investment Group, Inc. Policy limits are \$250,000 per occurrence, \$1,000,000 per licensed representative, with an annual policy aggregate limit of \$2,000,000 and a \$15,000 deductible per occurrence.

The Company's professional liability insurer (a subsidiary of the parent company of Financial West Investment Group, Inc.) maintains a supplemental policy of broker/dealer professional liability insurance with an outside insurance company. Policy limits are \$750,000 per occurrence, \$750,000 per licensed representative with a maximum policy aggregate limit of \$750,000.

**FINANCIAL WEST INVESTMENT GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

6. Litigation (Continued)

The Company maintains coverage under a fidelity bond policy. The policy covers loss against dishonesty by employees or registered representatives of the Company. Policy limits are \$1,000,000 with a \$20,000 deductible.

7. Financial instruments with off-balance sheet risk

The Company has cash deposits in excess of federal insured limits.

8. Retirement plan

The Company maintains a retirement plan in accordance with Section 401(k) of the Internal Revenue Code. Under the terms of this plan, eligible employees make voluntary contributions to the extent allowable by law. The Company made no payments on behalf of employees to this plan for the year ended September 30, 2008.

9. Income taxes

The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

The Company files a consolidated income tax return with its parent company. Federal and state income taxes are calculated as if the Company filed a separate income tax return. The current portion of the income tax expense included in the statement of income is as follows:

	<u>Current</u>
Federal	\$ 7,843
State	<u>5,015</u>
Total	<u>\$12,858</u>

FINANCIAL WEST INVESTMENT GROUP, INC.  
 SCHEDULE I  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 SEPTEMBER 30, 2008

Net capital

Total stockholder's equity	\$ 701,535
Deductions and/or charges	
Non-allowable assets	
Prepaid expenses	43,100
Notes receivable from related party	181,520
Other receivables	39,805
Deposits	<u>10,000</u>
Net capital before haircuts on securities	427,110
Haircuts on securities	<u>15,104</u>
Net capital	\$ <u>412,006</u>

Aggregate indebtedness

Total aggregate indebtedness	\$ <u>1,212,379</u>
------------------------------	---------------------

Computation of basic net capital requirement

Minimum net capital required	\$ <u>100,000</u>
Excess net capital	\$ <u>312,006</u>
Ratio: Aggregate indebtedness to net capital	<u>2.94 to 1</u>

Reconciliation with Company's computation

(included in Part II of Form X-17A-5 as of September 30, 2005)

Net capital, as reported in Company's Part II (unaudited)	
Focus report	\$ 415,700
Net audit adjustments	
Net increase in income taxes payable	( <u>3,694</u> )
Net capital per above	\$ <u>412,006</u>

**FINANCIAL WEST INVESTMENT GROUP, INC.****SCHEDULE II****RESERVE AND POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3  
OF THE SECURITIES AND EXCHANGE COMMISSION  
SEPTEMBER 30, 2008**

The Company is in compliance with the conditions of exemption from the reserve and possession or control requirements under the provisions of Rule 15c3-3 (k)(2)(ii) of the Securities Exchange Act of 1934.

LEDERMAN, ZEIDLER, GRAY & Co., LLP

CERTIFIED PUBLIC ACCOUNTANTS  
9107 WILSHIRE BOULEVARD, SUITE 260  
BEVERLY HILLS, CALIFORNIA 90210

MEMBER  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS  
CALIFORNIA SOCIETY  
OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE  
(310) 273-2924  
FAX  
(310) 276-0225

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5**

Board of Directors  
FINANCIAL WEST INVESTMENT GROUP, INC.  
Westlake Village, California

In planning and performing our audit of the financial statements of Financial West Investment Group, Inc., for the year ended September 30, 2008, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Financial West Investment Group, Inc., that we considered relevant to the objectives stated in rule 17a-5(g)(1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and the procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, which we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2008 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

*Lederman, Zeidler, Gray & Co., LLP*

Beverly Hills, California  
November 25, 2008

*Certified Public Accountants*

*END*